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Message Text

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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 JUSE-00 OIC-02 AF-10 ARA-10 EA-10
NEA-10 /168 W
----------125919 131707Z /43
P 131643Z APR 78
FM USMISSION GENEVA
TO SECSTATE WASHDC PRIORITY 8348
INFO AMEMBASSY BRUSSELS

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USMTN, USEEC

PASS ELECTRONICALLY STR (STARKEY) AND USDA (OYLOE AND RIESZ)
STR PASS CODEL

E.O. 11652: N/A
TAGS: MTN, ETRD
SUBJECT: US-EC BILATERAL ON DAIRY PRODUCTS AND MEAT

1. SUMMARY. AT BILATERAL MEETING APRIL 12 EC ASKED US TO ALLOW EC TO SUBSIDIZE CHEESE EXPORTS TO US PROVIDED EC MAINTAINS PRICE TO US AT NEGOTIATED MARGIN ABOVE US MARKET. NO SPECIFIC ACTION ON QUOTAS WAS REQUESTED, NOR ON TARIFFS, ALTHOUGH EC NOTED THAT SINCE US HAS MADE SOME TARIFF OFFERS EC MIGHT WISH TO SUBMIT SOME REQUESTS. EC SUBSIDY PROPOSAL MIGHT BE INCORPORATED INTO A GENERAL SUBSIDY AGREEMENT IF NECESSARY, BUT SHOULD IN ANY CASE BE MATCHED BY COMPARABLE US AGREEMENTS WITH OTHER EXPORTERS UNDER THE UMBRELLA OF GENERAL DAIRY AGREEMENT.
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US STRESSED IMPORTANCE OF US REQUEST FOR HOTEL BEEF QUOTA. EC SAID THEY WERE NOT IN A POSITION TO RESPOND TO OUR REQUEST AT PRESENT BECAUSE PROGRESS IN MEAT SUBGROUP WAS SLOWER THAN THEY WISHED AND THEY WANTED TO KNOW WHAT WE COULD DO TO HELP THEM REGAIN ACCESS TO US MARKET. END SUMMARY.

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2. EC (JACQUOT) SAID ITS OBJECTIVE FOR DAIRY PRODUCTS IS FOR A PRACTICAL BUT PERMANENT SOLUTION TO ITS PROBLEMS WITH THE US SO THAT EC DAIRY EXPORTS TO US CAN RECOVER FROM LOSSES SUFFERED SINCE 1974 AND CAN BE PERMITTED TO GROW. JACQUOT SAID US SHOULD BE WILLING TO ADMIT SOME ADDITIONAL QUANTITY OF CHEESE IF EC MANAGES EXPORT SUBSIDIES SO AS NOT TO DISRUPT US MARKET. EC WILL, IF NECESSARY, EVEN FOREGO SUBSIDIES FOR CHEESES LIKE COLBY, CHEDDAR, AND MONTEREY WHICH ARE IN MOST DIRECT COMPETITION WITH US PRODUCTION, REALIZING THIS WOULD MEAN FOREGOING EXPORTS.

3. US (KOENIG) PRESSED FOR DETAILS AS TO WHY SUBSIDIES ARE NEEDED, FOR WHICH PRODUCTS, HOW MUCH, AND HOW EC WOULD CARRY OUT ITS SUBSIDY MANAGEMENT.

4. JACQUOT REPLIED THAT THE EC BASICALLY WISHED TO RETAIN ITS FREEDOM TO SUBSIDIZE ALL CHEESES OTHER THAN THOSE WHICH COMPETE DIRECTLY WITH U.S. TYPE CHEESES DOWN TO AGREED UPON LEVELS, DEPENDING ON MARKET CONDITIONS. HE SAID THAT CURRENTLY CAMENBERT AND SOME OTHER CHEESES WOULD PROBABLY NOT REQUIRE SUBSIDIES, BUT OTHERS LIKE BLUE-MOLD, GOUDA AND PROVOLONE WHICH HAVE LOST THEIR POSITION IN THE US MARKET WOULD. HE WOULD LIKE TO REOPEN THE EMMENTHAL FILE. HE NOTED THAT THE EC HAD GIVEN UP ON CHEDDAR BUT THAT THE US IS NOW LIMITED OFFICIAL USE

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IMPORTING MORE CHEDDAR FROM OTHERS. HE SAID US SHOULD ESTABLISH A "NOTIONAL PRICE" - NOT A FIXED PRICE - TO GUIDE THE EC IN ESTABLISHING ITS EXPORT SUBSIDIES. FURTHER DETAILS, WHICH JACQUOT PROMISED TO TRY TO PROVIDE IN WRITING, WERE GIVEN BY EC DAIRY EXPERT BARSUGLIA, AS FOLLOWS (TO THE BEST OF OUR UNDERSTANDING):

5. EC WOULD NOTE MARKET PRICE IN NEW YORK FOR CHEDDAR, THEN ADD A MARGIN TO BE NEGOTIATED. EC WOULD THEN CALCULATE A "PILOT" RESTITUTION TO COVER THE DIFFERENCE BETWEEN THE EC PRICE FOR CHEDDAR AND THE MARGINALLY INCREASED NEW YORK PRICE, PLUS TRANSPORTATION AND OTHER COSTS. RESTITUTIONS FOR OTHER CHEESES WOULD BE DERIVED FROM THE PILOT RESTITUTION BY MEANS OF COEFFICIENTS. ANY CHANGE IN THE PILOT RESTITUTION WOULD THEREFORE BE AUTOMATICALLY REFLECTED IN THE RESTITUTIONS FOR OTHER CHEESES.

6. WE ASKED HOW EC WOULD MEET COMPETITION FROM OTHER COUNTRIES IN THE US MARKET WITH THIS SCHEME. JACQUOT SAID IT WOULD BE IMPORTANT TO MULTILATERALIZE THIS

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CONCEPT BY AGREEMENT BETWEEN US AND OTHER EXPORTERS. HE ALSO NOTED RECENT US SALE OF NONFAT DRY MILK TO MEXICO AND HOPED THIS MEANT THAT US WOULD NO LONGER RETAIN ITS UNCERTAIN OR NEGATIVE POSITION TOWARD THE PROPOSED INTERNATIONAL DAIRY AGREEMENT AND ITS SEVERAL PROTOCOLS WHEN THE DAIRY SUBGROUP MEETS APRIL 24.

7. JACQUOT FURTHER EXPRESSED INTEREST IN US TARIFF CUTS ON DAIRY PRODUCTS, AND NOTED THAT LOWER TARIFFS COULD PERMIT LOWER EC SUBSIDIES ON EXPORTS TO THE US.

8. WE THANKED JACQUOT FOR THE EC'S IMAGINATIVE IDEAS AND SUGGESTED THAT THE SOLUTION TO THE EC'S PROBLEMS WOULD REQUIRE EQUALLY IMAGINATIVE ATTENTION TO THE
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ACTION STR-07

INFO OCT-01 EUR-12 IO-13 ISO-00 STRE-00 AGRE-00 CEA-01
CIAE-00 COME-00 DODE-00 EB-08 FRB-03 H-01 INR-10
INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 CTME-00
AID-05 SS-15 ITC-01 TRSE-00 ICA-11 SP-02 SOE-02
OMB-01 DOE-15 OIC-02 AF-10 ARA-10 EA-10 NEA-10
JUSE-00 /168 W
----------125956 131707Z /43
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USMTN USEEC

SUBJECT OF SUBSIDIES IN GENERAL. JACQUOT REPLIED THAT THE EC HAS ALWAYS BEEN WILLING TO UNDERTAKE THIS KIND OF DISCIPLINE OVER ITS SUBSIDIES, THAT THE EC'S PROPOSAL

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GOES CONSIDERABLY BEYOND THE REQUIREMENTS OF GATT ARTICLE XVI, AND THAT SUCH A SOLUTION FOR CHEESE MIGHT EVEN BE INCORPORATED INTO A GENERAL SUBSIDY AGREEMENT IF THAT WOULD BE HELPFUL.

9. WE NOTED THAT THE US HAS RECENTLY MADE SOME CHANGES IN ITS CASEIN STANDARDS AND ASKED WHETHER THEY WOULD MEET THE EC'S REQUEST FOR SUCH CHANGES. JACQUOT SAID THEY MIGHT, BUT THE EC WOULD HAVE TO WAIT AND SEE.

10. WE USED THIS OCCASION TO URGE THE EC TO MEET BI-LATERALLY WITH US ON THE APPLICABILITY OF THE STANDARDS CODE TO AGRICULTURE.

11. ON BEEF, WE STRESSED THE IMPORTANCE OF THE US RE-
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QUEST FOR A HOTEL QUOTA. JACQUOT SAID THE COMMISSION HAS NOT YET RECOMMENDED A RESPONSE FOR CONSIDERATION BY THE MEMBER STATES BECAUSE OF THE SLOW PROGRESS OF DISCUSSIONS IN THE MEAT SUBGROUP. HE SAID THE EC IS ALREADY ON RECORD AS WILLING TO NEGOTIATE WITH RESPECT TO CERTAIN BEEF CUTS, BUT ALSO WANTS TO EXPORT TO THE UNITED STATES. THE THREAT OF COUNTERVAILING DUTIES HAS BEEN A PROBLEM IN THIS RESPECT. NEVERTHELESS, HE SAID, AMBASSADOR STRAUSS HAS PERSONALLY CALLED THIS REQUEST TO THE ATTENTION OF COMMISSIONER GUNDELACH, WHO SAID THAT THE US REQUEST WILL BE EXAMINED IN THE LIGHT OF THE TOTAL PACKAGE OF US OFFERS TO THE EC.

12. DRAFTED BY HUDSON. MCDONALD

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Message Attributes

Automatic Decaptioning: X
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Draft Date: 13 apr 1978
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Disposition Action: RELEASED
Disposition Approved on Date:
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